

THE FREGENET FOUNDATION
(A Nonprofit California Corporation)

Financial Statements with
Independent Auditor's Report

As of and for the Year Ended
June 30, 2016

Nicolas A. Pulecio
Certified Public Accountant

THE FREGENET FOUNDATION
(A Nonprofit California Corporation)

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

FINANCIAL STATEMENTS

Statement of Financial Position.....2

Statement of Activities.....3

Statement of Cash Flows.....4

Statement of Functional Expenses.....5

Notes to the Financial Statements.....6

Nicolas A. Pulecio, CPA, CGMA

25 Mauchly, Suite 307 Irvine, CA 92618

| (949) 275-0019

| npulecio@brysani.com

Board of Directors
The Fregenet Foundation
Los Angeles, California 90015

We have audited the accompanying financial statements of The Fregenet Foundation, a nonprofit California corporation (the "Foundation") which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Nicolas A. Pulecio, CPA, CGMA
Irvine, California
September 14, 2016

THE FREGENET FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016

ASSETS

Current Assets:

Cash unrestricted	\$	143,007
Cash restricted		<u>72,243</u>
Total Current Assets		215,250

Total Assets 215,250

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable		<u>300</u>
Total Current Liabilities		300

Total Liabilities 300

NET ASSETS

Unrestricted net assets		130,299
Temporarily restricted assets		<u>84,651</u>
Total Net Assets		214,950

Total Liabilities and Net Assets \$ 215,250

The accompanying notes are an integral part of these financial statements

THE FREGENET FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Donations and contributions	\$ 30,504	\$ 12,500	\$ 43,004
Other income	95	-	95
	<u>30,599</u>	<u>12,500</u>	<u>43,099</u>
FINANCIAL EXPENSES			
Program services	7,607	12,548	20,155
General and administrative	4,127	-	4,127
Fundraising	300	-	300
	<u>12,034</u>	<u>12,548</u>	<u>24,582</u>
CHANGE IN NET ASSETS	\$ 18,565	\$ (48)	\$ 18,517
NET ASSETS, BEGINNING OF YEAR	<u>111,734</u>	<u>84,699</u>	<u>196,433</u>
NET ASSETS, END OF YEAR	<u>\$ 130,299</u>	<u>\$ 84,651</u>	<u>\$ 214,950</u>

The accompanying notes are an integral part of these financial statements

THE FREGENET FOUNDATION
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STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 18,517
Adjustments to reconcile change in net assets to net cash provided by operating activities:	-
Increase (decrease) in accrued liabilities	<u>300</u>
Net cash provided by operating activities	<u>18,817</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,817
CASH, BEGINNING OF YEAR	<u>196,433</u>
CASH, END OF YEAR	<u><u>\$ 215,250</u></u>

The accompanying notes are an integral part of these financial statements

THE FREGENET FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Fregenet School In Ethiopia</u>	<u>General & Administration</u>	<u>Fundrasing</u>	
OTHER EXPENSES				
Program expenses	\$ 20,000	\$ -	\$ -	\$ 20,000
Special event	-	-	300	300
Postage and delivery	-	32	-	32
Information technology	-	70	-	70
Insurance	-	1,460	-	1,460
Accounting	-	1,500	-	1,500
Licenses and permits	-	597	-	597
Supplies	-	72	-	72
Service fees	155	396	-	551
Total Other Expenses	20,155	4,127	300	24,582
 Total Functional Expenses	 \$ 20,155	 \$ 4,127	 \$ 300	 \$ 24,582

The accompanying notes are an integral part of these financial statements

THE FREGENET FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - FOUNDATION

The Fregenet Foundation (the “Foundation”) is a foundation dedicated to creating educational opportunities for impoverished children in Ethiopia. Established in 2003 as a 501(c)(3) nonprofit corporation under the Internal Revenue Code and the related law of State of California, the Foundation provides high quality early education as a means to overcome poverty, reduce AIDS, gender inequality and political oppression to needy children would otherwise receive no education or a deeply inferior one; makes education central to the community and remove obstacles to education such as health, poverty, hunger, confidence, lack of information and despair; and establishes bonds between the students in Ethiopia and children all over the world by sponsoring music, travel, language and cultural education programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared in accordance with the Financial Accounting Standards Board (“FASB”) in its Accounting Standards Codification (“ASC”) No. 958 Not-for-Profit Entities. They are stated on the accrual basis of accounting whereby expenses are recorded when incurred, donations are recorded when notice is received, and grant revenues are recorded when earned. Under ASC No. 958, the Foundation is required to report information regarding its financial position and activities according to three classifications of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets: Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry on the operations of the organization in accordance with its bylaws.

Temporarily Restricted Net Assets: Temporarily restricted net assets represent resources currently available for use, but expendable only for those operating proposes specified by the donor. Resources of this class of net assets originate from contributions, grants, bequests, and investment income earned by the restricted fund. The Foundation has one donor restricted account for the construction of the school in Ethiopia.

Permanently Restricted Net Assets: Permanently restricted net assets are maintained as an endowment which represents net assets that are subject to restrictions of gift instruments requiring, in perpetuity, that the principle be invested and permits the organization to use all or part of the income earned for general or specific purposes.

THE FREGENET FOUNDATION
(A NONPROFIT CALIFORNIA CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Foundation considers all highly liquid investments with original maturity of three months or less at the time of purchase to be cash equivalents.

Contributions

The Foundation records contributions in accordance with the FASB ASC No. 958-605, Accounting for Contributions Received and Contributions Made. In accordance with ASC No. 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Conditional contributions are reported as temporarily restricted assets and are then reclassified to unrestricted net assets upon expiration of the restriction.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentrations of Credit Risk

The financial instruments which potentially subject the Foundation to credit risk are primarily cash and investments in marketable securities, which, at times, may exceed the Federal insured amount. The Foundation has not experienced any losses in such accounts.

Income Taxes

The Foundation is a non-profit organization and has been exempted from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. Accordingly, there is no provision for federal income tax or California Franchise tax. The Foundation is required to pay an annual filing fee to the State of California.

THE FREGENET FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

The Foundation evaluates uncertainty in income taxes for tax positions taken or expected to be taken in the course of preparing the Foundation's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold are required to be recorded as a tax benefit or expense in the current year. Additionally, this interpretation provides guidance on the-recognition, classification, interest and penalties, disclosure and transition. The Foundation had no uncertain tax positions that were not considered more-likely-than-not of being sustained by applicable tax authorities as of June 30, 2016.

NOTE 3 — DESCRIPTION OF PROGRAM AND SUPPORT SERVICES

Program Expense

Ethiopia School Program

The Foundation provides educational opportunities for impoverished children in Ethiopia. Since its founding in 2004, the Foundation has established a school in Ethiopia that educates, feeds, clothes, and provides basic medical care to 341 children between the ages of four and twelve.

General and Administrative Expense

General and administrative expenses includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and communication of the Foundation's program strategy through the executive director; secure proper administrative functioning of the Board of Directors, maintain competent legal services for the program administration of the Foundation; and manage the financial and budgetary responsibilities of the Foundation.

Fund Raising Expense

It provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

NOTE 4 — CASH AND CASH EQUIVALENTS

For purposes of the financial statements, the Foundation considers all cash and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. In addition, management also considers money market funds to be cash equivalents. From time to time during the year, the Foundation's cash balance in financial institutions may exceed the FDIC insurance limits. At June 30, 2016, the Organization had no deposits with financial institutions that exceeded FDIC insurance.

THE FREGENET FOUNDATION
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 — SUPPORT AND REVENUE RECOGNITION

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

NOTE 6 — BOARD RESTRICTED FUNDS

The Foundation's Board of Directors has temporarily restricted assets for specific use of the building the school in Ethiopia, which is in accordance with the Foundation's mission. Board restricted net assets as of June 30, 2016 were \$85,341. The Foundation expects these net assets to remain restricted until such time as the Ethiopian government grants the Foundation the appropriate rights for the use of land within the country of Ethiopia and construction is commenced on the school.

NOTE 7 - MANAGEMENT REVIEW AND EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through September ___, 2016. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.